

House Engrossed

**FILED**

**JANICE K. BREWER  
SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Forty-seventh Legislature  
Second Regular Session  
2006

CHAPTER 19

## **HOUSE BILL 2090**

AN ACT

AMENDING SECTION 36-425, ARIZONA REVISED STATUTES; RELATING TO HEALTH CARE INSTITUTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 36-425, Arizona Revised Statutes, is amended to  
3 read:

4 36-425. Inspections; issuance of license; posting of  
5 deficiencies; provisional license; denial of license

6 A. On receipt of a properly completed application for initial  
7 licensure or relicensure, the director shall conduct an inspection of the  
8 health care institution as prescribed by this chapter. If an application for  
9 a license is submitted due to a planned change of ownership, the director  
10 shall determine the need for an inspection of the health care institution.  
11 Based on the results of the inspection, the director shall either deny the  
12 license or issue a regular or provisional license. A license issued by the  
13 department shall be conspicuously posted in the reception area of that  
14 institution. If the health care institution is an accredited hospital AT THE  
15 TIME OF LICENSURE, ~~the regular license is valid for the duration of the~~  
16 ~~LICENSURE TERM IS THREE YEARS FROM THE EXPIRATION DATE OF THE HOSPITAL'S~~  
17 ~~CURRENT accreditation period LICENSE, OR IN THE CASE OF AN INITIAL LICENSE~~  
18 ~~BASED ON A CHANGE OF OWNERSHIP, THE LICENSURE TERM IS THREE YEARS BEGINNING~~  
19 ~~ON THE EFFECTIVE DATE OF THE HOSPITAL'S CURRENT ACCREDITATION.~~

20 B. The director shall issue a regular license if the director  
21 determines that an applicant and the health care institution for which the  
22 license is sought substantially comply with the requirements of this chapter  
23 and rules adopted pursuant to this chapter and the applicant agrees to carry  
24 out a plan acceptable to the director to eliminate any deficiencies. The  
25 license is valid for up to two years from the date it is issued if the  
26 facility, on expiration of the initial one-year license, has no deficiencies  
27 at the time the department conducts the subsequent licensing inspections.  
28 The director shall not require a health care institution that was designated  
29 as a critical access hospital to make any modifications required by this  
30 chapter or rules adopted pursuant to this chapter in order to obtain an  
31 amended license with the same licensed capacity the health care institution  
32 had before it was designated as a critical access hospital if all of the  
33 following are true:

34 1. The health care institution has subsequently terminated its  
35 critical access hospital designation.

36 2. The licensed capacity of the health care institution does not  
37 exceed its licensed capacity prior to its designation as a critical access  
38 hospital.

39 3. The health care institution remains in compliance with the  
40 applicable codes and standards that were in effect at the time the facility  
41 was originally licensed with the higher licensed capacity.

42 C. The director shall issue a provisional license for a period of not  
43 more than one year if an inspection or investigation of a currently licensed  
44 health care institution or a health care institution for which an applicant  
45 is seeking initial licensure reveals that the institution is not in

1 substantial compliance with department licensure requirements and the  
2 director believes that the immediate interests of the patients and the  
3 general public are best served if the institution is given an opportunity to  
4 correct deficiencies. The applicant or licensee shall agree to carry out a  
5 plan to eliminate deficiencies that is acceptable to the director. The  
6 director shall not issue consecutive provisional licenses to a single health  
7 care institution. The director shall not issue a regular license to the  
8 current licensee or a successor applicant before the expiration of the  
9 provisional license unless the health care institution submits an application  
10 for a substantial compliance survey and is found to be in substantial  
11 compliance. The director may issue a regular license only if the director  
12 determines that the institution is in substantial compliance with the  
13 licensure requirements of the department and this chapter. This subsection  
14 does not prevent the director from taking action to protect the safety of  
15 patients pursuant to section 36-427.

16 D. Subject to the confidentiality requirements of articles 4 and 5 of  
17 this chapter, title 12, chapter 13, article 7.1 and section 12-2235, the  
18 licensee shall keep current department inspection reports at the health care  
19 institution. Unless federal law requires otherwise, the licensee shall  
20 conspicuously post a notice that identifies the location at that institution  
21 where the inspection reports are available for review.

22 E. A health care institution shall immediately notify the department  
23 in writing when there is a change of the chief administrative officer  
24 specified in section 36-422, subsection A, paragraph 7.

25 F. When the department issues an original regular license or an  
26 original provisional license to a health care institution it shall notify the  
27 owners and lessees of any agricultural land within one-fourth mile of the  
28 health care institution. The health care institution shall provide the  
29 department with the names and addresses of owners or lessees of agricultural  
30 land within one-fourth mile of the proposed health care institution.

31 G. In addition to the grounds for denial of licensure prescribed  
32 pursuant to subsection A of this section, the director may deny a license  
33 because an applicant or anyone in a business relationship with the applicant,  
34 including stockholders and controlling persons, has had a license to operate  
35 a health care institution denied, revoked or suspended or a license or  
36 certificate issued by a health profession regulatory board pursuant to title  
37 32 or issued by a state agency pursuant to chapter 6, article 7 or chapter 17  
38 of this title denied, revoked or suspended or has a licensing history of  
39 recent serious violations occurring in this state or in another state that  
40 posed a direct risk to the life, health or safety of patients or residents.

41 H. In addition to the requirements of this chapter, the director may  
42 prescribe by rule other licensure requirements and may prescribe procedures  
43 for conducting investigations into an applicant's character and  
44 qualifications.

**APPROVED BY THE GOVERNOR MARCH 29, 2006.**

**FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 29, 2006.**

